



Yesterday • Today • Tomorrow

Missouri State Employees' Retirement System
A Component Unit of the State of Missouri
Summary Annual Financial Report
Fiscal Year Ended June 30, 2012





State employees count on MOSERS to help them prepare for a solid and secure retirement. The annual benefits paid to our retirees provide a steady, continuous, and significant stimulus to our state and local economies which, in turn, produce a better quality of life for all Missourians . . .

Yesterday, Today, and Tomorrow

- MOSERS began on September 1, 1957, with 17,513 members and an initial investment of \$100,000. Currently, we serve more than 107,000 members with assets in excess of \$7 billion.
- The Cost-Effective Measurement (CEM) pension system benchmarking analysis measures the annual cost of service per active and retired participant. Our cost of \$73 per member is equal to the peer median of \$73 and well below the peer average of \$94. This means MOSERS is measuring and effectively managing the dollars that are spent administering retirement benefits for state employees.
- This year, MOSERS' investments generated earnings of \$158,000,000 on behalf of our members and Missouri taxpayers. For the ten years ended June 30, 2012, investment earnings accounted for more than two-thirds of the MOSERS revenue that funded state employee retirement benefits. The state's FY12 contribution to MOSERS amounted to 1.14% of the total state budget.
- The state must contribute the annually required contribution that, when combined with present assets and future investment return, will be sufficient to meet the present and future financial obligations of the retirement system. Through a history of reasonable benefit levels, mandatory participation, actuarially determined employer contributions, and professionally managed investments, MOSERS continues to be financially sound.
- Pension benefits serve as a stimulus for our state economy. The annual pension benefits paid to MOSERS retirees provide a steady, continuous, and significant stimulus to Missouri's state and local economies. Nearly 90% of state retirees remain in Missouri after retirement. More than \$600 million annually flows from the system into households of over 33,000 retirees and beneficiaries who buy goods and services in this state.

This *Summary Annual Financial Report* is derived from the information contained in *MOSERS' Comprehensive Annual Financial Report* (CAFR) but does not include all funds administered by MOSERS or certain other information required for conformity with Generally Accepted Accounting Principles (GAAP). MOSERS' financial statements are produced in conformity with GAAP. Contact MOSERS to request a copy of the CAFR, or explore it on our website at www.mosers.org. To request an alternative format, please contact MOSERS at (573) 632-6100 or (800) 827-1063. MOSERS is an equal opportunity employer.



Missouri State Employees' Retirement System

Mailing Address

PO Box 209

Jefferson City, MO 65102-0209

Building Location

907 Wildwood Drive

Jefferson City, MO

October 29, 2012

Dear Members:

On behalf of the board of trustees, I am pleased to present the MOSERS *Summary Annual Financial Report* for the fiscal year ended June 30, 2012. This report provides information on the financial status of your retirement system.

MOSERS' investments generated a return of \$158 million, 2.2% net of fees, on behalf of our members and Missouri taxpayers this year, exceeding the policy benchmark of 1.2%. Although this return is lower than those generated the past two years (14.3% in FY10 and 21% in FY11), it reflects the volatility that the financial markets experienced throughout this fiscal year. In the national universe of statewide pension funds, MOSERS generated the best ten-year investment return as of June 30, 2012.

After long and careful discussion and following the recommendations and guidance of the system's actuary, in June 2012, the board adopted strengthened mortality tables and revised rates of withdrawal and retirement to better reflect recent experience, as well as adopting other minor changes in demographic assumptions. In July 2012, the board voted to reduce the nominal investment return assumption from 8.5% to 8% and to adopt assumptions for wage inflation and price inflation of 3% and 2.5%, respectively.

Your retirement system continues to achieve high marks in the delivery of customer service to our members. One of the ways operational performance is measured is through the Cost-Effectiveness Measurement, Inc. (CEM) pension administration benchmarking analysis. CEM evaluated 66 leading pension systems, including systems in the U.S., Canada, the Netherlands, and Denmark. MOSERS' peer group included 11 U.S. public pension plans that are identified as our most relevant peer group based on membership size and system assets. This year, the CEM results indicated that MOSERS' service ranked number one again in our peer group with lower than average costs.

The board experienced some turnover this past year. On behalf of the board, staff and members, I would like to thank the former Commissioner of the Office and Administration, Kelvin Simmons, Representative Ward Franz, Representative Thomas Flanagan, and Travis Morrison, for their hard work and contributions to the system. Trustees devote many hours in fulfilling their duties and serve with no remuneration. The board also welcomed acting Commissioner of Administration Doug Nelson, Representative Caleb Jones, and Antwaun Smith to the board this year, and we look forward to serving with them.

I wish to thank all of the MOSERS board members for their hard work and contributions to the system this year. The wide diversity and exceptional knowledge that our trustees bring to each meeting is one reason for our system's continued success. Additionally, the board thanks MOSERS' staff for maintaining a high level of expertise and professionalism required for excellence in our retirement system that continues to serve our membership well.

Both the board of trustees and staff look forward to meeting your future needs. If you have any questions regarding this report or any other aspect of MOSERS, please contact us at MOSERS, P.O. Box 209, Jefferson City, MO 65102 or call (800) 827-1063. Our website can also be visited at www.mosers.org.

Sincerely,

Donald Martin, Chair
Board of Trustees

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Email: mosers@mosers.org • Website: www.mosers.org

Pension Trust Funds
Summary Comparative Statements of Plan Net Assets

	As of June 30, 2012	As of June 30, 2011	Amount of Change	Percentage Change
Cash and short-term investments	\$ 891,202,655	\$ 807,270,837	\$ 83,931,818	10.40%
Receivables	59,162,673	27,244,113	31,918,560	117.16
Investments	6,757,240,840	7,073,472,800	(316,231,960)	(4.47)
Invested securities lending collateral	692,476,483	643,085,121	49,391,362	7.68
Capital assets	3,064,311	3,061,064	3,247	0.11
Other assets	41,772	50,454	(8,682)	(17.21)
Total assets	8,403,188,734	8,554,184,389	(150,995,655)	(1.77)
Administrative expense payables	1,674,515	2,901,861	(1,227,346)	(42.30)
Investment purchase payables	12,932,642	16,139,126	(3,206,484)	(19.87)
Foreign currency payable	0	863,785	(863,785)	(100.00)
Investment income payable	0	8,218,700	(8,218,700)	(100.00)
Securities lending collateral	690,440,025	643,842,013	46,598,012	7.24
Other liabilities	16,421,986	15,301,498	1,120,488	7.32
Total liabilities	721,469,168	687,266,983	34,202,185	4.98
Net assets	\$7,681,719,566	\$7,866,917,406	\$ (185,197,840)	(2.35)

The *Statements of Plan Net Assets* are summaries of what MOSERS owns and owes as of the end of the fiscal year.

Pension Trust Funds
Summary Comparative Statements of Changes in Plan Net Assets

	Year Ended June 30, 2012	Year Ended June 30, 2011	Amount of Change	Percentage Change
Contributions	\$ 300,348,132	\$ 294,737,248	\$ 5,610,884	1.90%
Investment income - investing activities	158,626,338	1,411,602,826	(1,252,976,488)	(88.76)
Investment income - securities lending activities	1,537,701	1,534,523	3,178	0.21
Miscellaneous income	454,312	667,724	(213,412)	(31.96)
Total additions	460,966,483	1,708,542,321	(1,247,575,838)	(73.02)
Benefits	638,343,863	622,913,485	15,430,378	2.48
Service transfers and refunds	711,889	17,745,828	(17,033,939)	(95.99)
Administrative expenses	7,108,571	7,142,834	(34,263)	(0.48)
Total deductions	646,164,323	647,802,147	(1,637,824)	(0.25)
Net increase (decrease)	(185,197,840)	1,060,740,174	(1,245,938,014)	(117.46)
Net assets beginning of year	7,866,917,406	6,806,177,232	1,060,740,174	15.58
Net assets end of year	\$7,681,719,566	\$7,866,917,406	\$ (185,197,840)	(2.35)

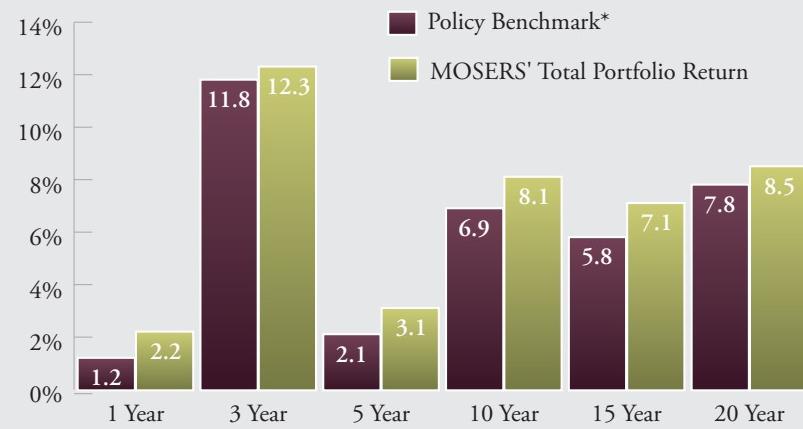
The *Statements of Changes in Plan Net Assets* summarize the flow of money in and out of the fund during the year.

Investment Return

At June 30, 2012, the MOSERS investment fund had total assets of \$7.7 billion. The investment portfolio generated \$158 million in net earnings during the year representing a one-year investment return of 2.2%.

Comparison of the total investment fund return to a policy benchmark is one means of evaluating MOSERS' actual investment performance compared to the financial markets. The total fund 1-year performance exceeded the policy benchmark by 1%, with the actual 3-, 5-, 10-, 15-, and 20-year returns also exceeding the policy benchmark as reflected in the Actual Returns vs. Benchmark Returns chart.

Actual Returns vs. Benchmark Returns

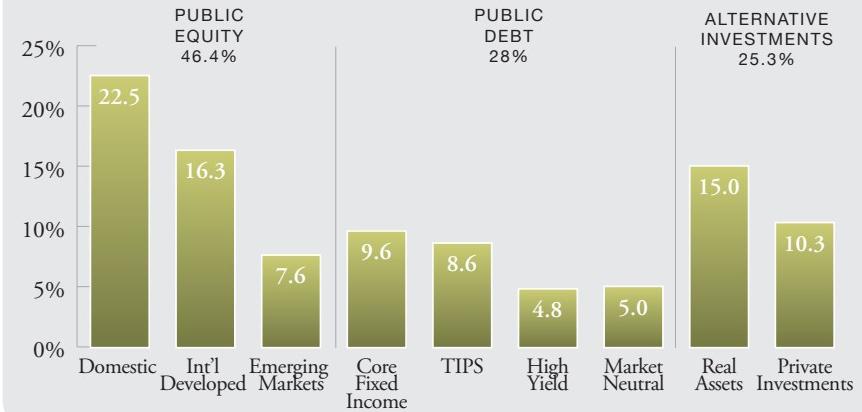


* As of 6/30/12, the policy benchmark was comprised of the following components: 45% total public equity policy benchmark, 30% total public debt policy benchmark, and 25% total alternative investments policy benchmark.

Investment Risk

Market volatility is what investors traditionally consider to be the risk of investing. To protect against this risk, the MOSERS investment portfolio is diversified across a myriad of asset classes and investment strategies to mitigate the potential impact of negative economic circumstances. The Asset Allocation chart reflects the actual percentage of the total investment portfolio by specific asset class at June 30, 2012. This asset allocation is built on the belief that diversification is a critical in achieving consistent high long-term risk-adjusted investment returns.

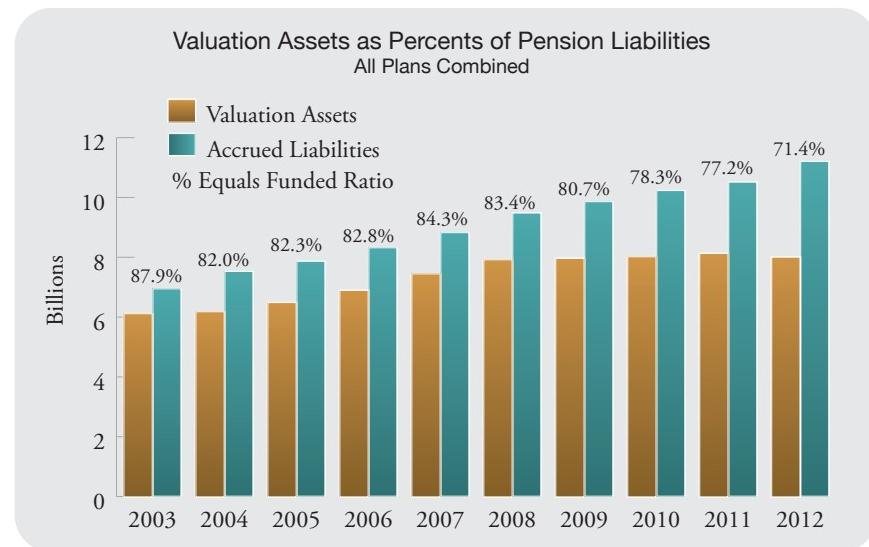
Asset Allocation



Strong long-term risk-adjusted investment performance is the best indicator of success in providing the necessary funding that comes from the earnings generated by the investment portfolio. Every dollar in investment earnings is one less dollar that is needed from the state of Missouri to fund your promised benefits.

Retirement Funding (All Plans Combined)

Your retirement benefits are funded by contributions from the state of Missouri and by investment income. In order to ensure your benefits are available to you, MOSERS is constantly evaluating the assets (gold bar) relative to the value of the liabilities (blue bar). The percentages shown in the bar chart to the right indicate the extent to which the system was funded as of a given year.



Member Snapshot

June 30, 2012, Actuarial Valuations	MSEP*	Judicial Plan
Active Members		
Average age	45.9	56.5
Average years of service	11.3	12.5
Average annual salary	\$36,314	\$115,165
Retired Members		
Average age	69.3	75.5
Average annual benefit	\$14,973	\$55,255
Total Membership		
Active	51,332	398
Terminated-vested	18,034	41
Retired	37,308	488

* Includes members in both the MSEP and MSEP 2000.

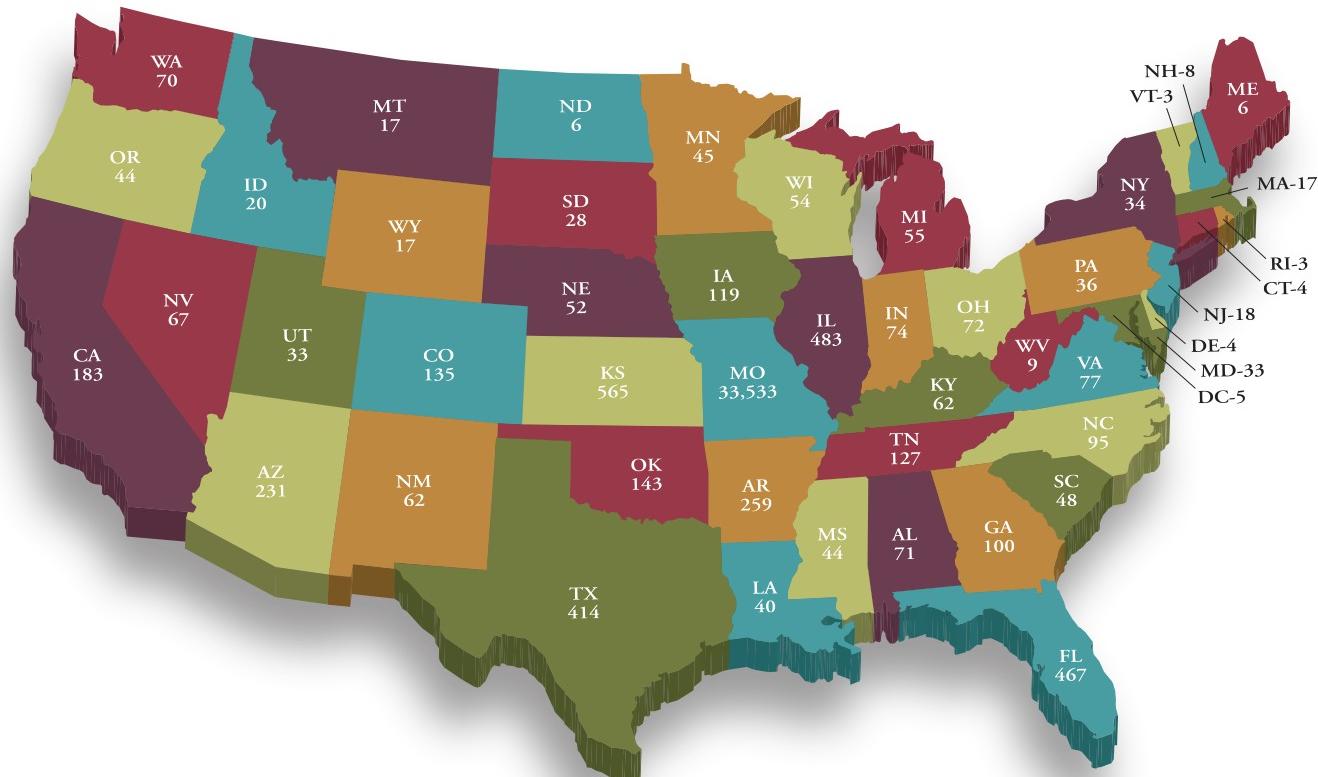
Members Retiring During the Fiscal Year Ended June 30, 2012

	Years Credited Service by Category								All Members*
	<5	5-10	10-15	15-20	20-25	25-30	30+		
Average monthly benefit	\$ 126	\$ 303	\$ 521	\$ 818	\$ 1,232	\$ 1,624	\$ 2,271	\$ 939	
Average final average salary	\$ 7,854	\$ 2,572	\$ 2,648	\$ 3,050	\$ 3,295	\$ 3,488	\$ 4,109	\$ 3,055	
Number of retirees	5	592	537	407	473	373	196	2,583	

* Includes members in both the MSEP and MSEP 2000.

Distribution of Benefit Recipients by Location

June 30, 2012



Benefit Recipients Outside the Continental United States

13	Alaska	2	Ireland	1	Sri Lanka
8	Hawaii	2	Israel	1	Sweden
5	Army Post Office	2	Italy	1	Thailand
2	Australia	3	Mexico	1	The Netherlands
10	Canada	1	Marshall Islands	2	United Arab Emirates
1	Colombia, South America	1	Nigeria	2	United Kingdom
1	Costa Rica	1	P. R. China	2	Virgin Islands
1	Germany	1	Panama	1	Wales UK
1	Guam	1	Puerto Rico		
1	India	1	Spain		

The map above shows the number of retirees, or their beneficiaries, residing in each state.



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OUTSTANDING ACHIEVEMENT

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

Missouri State Employees'
Retirement System

for the Fiscal Year Ended

June 30, 2011



Christopher P. Morris
President
Jeffrey L. Esser
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award for Outstanding Achievement in Popular Annual Financial Reporting to MOSERS for its summary annual report for the fiscal year ended June 30, 2011.

This prestigious national award recognizes popular reports for creativity, presentation, understandability, and reader appeal and is valid for a period of one year. We believe the current summary annual report continues to meet these program standards and we are submitting it to the GFOA for evaluation.

Contact Information

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